

HOSPITAL SERVICE DISTRICT NO. 1

PARISH OF AVOYELLES

BUNKIE, LOUISIANA

JUNE 30, 2014 and 2013

FINANCIAL STATEMENTS

Hospital Service District No. 1
Parish of Avoyelles
Bunkie, Louisiana

June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying statements of net position of Hospital Service District No. 1 Parish of Avoyelles, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury, ("the Hospital"), as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and the statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the activities of Hospital Service District No. 1 Parish of Avoyelles, State of Louisiana as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information


Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules identified in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Accounting Standards*, we have also issued our report dated November 7, 2014 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

November 7, 2014

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT OF NET POSITION

JUNE 30,

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,324,878	\$ 2,518,669
Accounts Receivables, Less Allowance for Doubtful		
Accounts of \$1,515,875 in 2014 and \$1,301,161 in 2013	947,949	1,248,709
Due from Third Party Payors	528,964	271,283
Other Receivables	58,540	40,219
Inventories	277,178	285,997
Prepaid Expenses	40,985	30,162
Total Current Assets	<u>4,178,494</u>	<u>4,395,039</u>
ASSETS LIMITED TO USE		
By Bond Indenture	<u>169,427</u>	<u>84,128</u>
Total Assets Whose Use is Limited	<u>169,427</u>	<u>84,128</u>
PROPERTY, PLANT AND EQUIPMENT		
Property, Plant and Equipment Cost	8,917,034	8,810,212
Less: Accumulated Depreciation	<u>6,050,324</u>	<u>5,550,189</u>
Total Property, Plant and Equipment	<u>2,866,710</u>	<u>3,260,023</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding Debt	<u>8,416</u>	<u>9,272</u>
Total Deferred Outflows of Resources	<u>8,416</u>	<u>9,272</u>
TOTAL ASSETS	<u>\$ 7,223,047</u>	<u>\$ 7,748,462</u>

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT OF NET POSITION

JUNE 30,

LIABILITIES AND NET POSITION

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 389,125	\$ 494,249
Accrued Salaries and Related Withholdings	222,022	210,428
Accrued Vacation and Holiday Expense	193,157	189,597
Current Portion of Long-Term Debt	190,954	197,148
Due to Third Party Payors	372,529	74,021
Credit Balances	111,575	100,859
Interest Payable	<u>5,297</u>	<u>3,371</u>
 Total Current Liabilities	 <u>1,484,659</u>	 <u>1,269,673</u>
 LONG-TERM DEBT		
Revenue Refunding Bonds - Series 2013	571,000	626,000
Note Payable - Rural Health Building	63,217	83,441
Lease Payable - GE CT Scan	93,841	163,219
Lease Payable - GE Ultrasound	14,418	43,254
Lease Payable - Baytree	7,213	21,638
Lease Payable - Spectra VMAX PET	<u>-</u>	<u>3,144</u>
Total Long-Term Liabilities	<u>749,689</u>	<u>940,696</u>
 TOTAL LIABILITIES	 <u>2,234,348</u>	 <u>2,210,369</u>
 NET POSITION		
Invested in Capital Assets, Net of Related Debt	1,926,067	2,122,179
Restricted Net Position (Expendable)	169,427	84,128
Unrestricted	<u>2,893,205</u>	<u>3,331,786</u>
TOTAL NET POSITION	<u>4,988,699</u>	<u>5,538,093</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 7,223,047</u>	 <u>\$ 7,748,462</u>

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION **FOR THE YEARS ENDED JUNE 30,**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Net Patient Service Revenues before Provision for Doubtful Accounts	\$ 11,431,841	\$ 11,013,351
Less: Provisions for Doubtful Accounts	<u>(1,951,966)</u>	<u>(1,489,526)</u>
Net Patient Service Revenue after Provision for Doubtful Accounts	9,479,875	9,523,825
Advalorem Taxes	124,166	116,828
Other Operating Revenue	<u>399,517</u>	<u>375,535</u>
TOTAL OPERATING REVENUE	<u>10,003,558</u>	<u>10,016,188</u>
OPERATING EXPENSES:		
Professional Services	7,052,996	7,002,238
Payroll Taxes and Employee Benefits	814,333	1,014,418
General and Administrative	2,985,974	3,007,381
Depreciation and Amortization	<u>500,135</u>	<u>506,525</u>
TOTAL OPERATING EXPENSES	<u>11,353,438</u>	<u>11,530,562</u>
LOSS FROM OPERATIONS	<u>(1,349,880)</u>	<u>(1,514,374)</u>
NON-OPERATING REVENUES (EXPENSES)		
Grant Revenue	818,346	1,426,798
Interest Income	7,470	7,881
Interest Expense	(25,330)	(33,926)
Gain (Loss) on Sale of Assets	<u>-</u>	<u>579</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>800,486</u>	<u>1,401,332</u>
CHANGE IN NET POSITION	<u>(549,394)</u>	<u>(113,042)</u>
TOTAL NET POSITION, BEGINNING	<u>5,538,093</u>	<u>5,651,135</u>
TOTAL NET POSITION, ENDING	<u>\$ 4,988,699</u>	<u>\$ 5,538,093</u>

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Patients	\$ 9,980,008	\$ 10,517,774
Ad Valorem Taxes	124,166	116,828
Cash Received from Other Sources	249,705	148,833
Cash Payments to Suppliers for Goods and Services	(5,705,685)	(5,414,885)
Cash Payments to Employees for Services and Benefits	(5,234,888)	(5,706,482)
Net Cash Flows Used In Operating Activities	<u>(586,694)</u>	<u>(337,932)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Acquisition of Property and Equipment	(106,821)	(257,373)
Proceeds from Grant Revenue	27,000	25,000
Proceeds from Long-term Debt	-	704,721
Principal payments on Long-term Debt	(197,201)	(909,349)
Net Cash Flows Used In Capital and Related Financial Activities	<u>(277,022)</u>	<u>(437,001)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from Grant Revenue	775,009	1,429,231
Deferred Charge on Refunding Debt	-	(9,272)
Net Cash Flows Provided By Non-Capital Financing Activities	<u>775,009</u>	<u>1,419,959</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income	7,470	7,881
Interest Expense	(27,255)	(26,624)
Net Cash Flows Provided by Financing Activities	<u>(19,785)</u>	<u>(18,743)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(108,492)	626,283
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, INCLUDING \$84,128 AND \$138,580 LIMITED AS TO USE FOR 2014 AND 2013, RESPECTIVELY	<u>2,602,797</u>	<u>1,976,514</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING \$169,427 AND \$84,128 LIMITED AS TO USE FOR 2014 AND 2013, RESPECTIVELY	<u>\$ 2,494,305</u>	<u>\$ 2,602,797</u>

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FLOWS		
PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ (1,349,880)	\$ (1,514,374)
Adjustments to reconcile operating income to net cash		
provided by operating activities:		
Depreciation and Amortization	500,135	506,525
Provision for Doubtful Accounts	1,951,966	1,489,526
Increase in Receivables and Due from Third Parties	(1,596,941)	(737,453)
Loss (Gain) on Sale of Assets	-	(579)
Decrease (Increase) in Inventories		
and Prepaid Expenses	(2,004)	(12,699)
Increase (Decrease) in Accounts Payable and		
Accrued Expenses	(89,970)	(68,878)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>\$ (586,694)</u>	<u>\$ (337,932)</u>

The accompanying notes are an integral part of these financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Hospital Service District No. 1 Parish of Avoyelles, d/b/a Bunkie General Hospital (the "Hospital") was created by an ordinance of the Avoyelles Parish Police Jury on February 14, 1968. The District is comprised of and embraces the territory contained within the Parish of Avoyelles, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Avoyelles Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Avoyelles Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Avoyelles Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Avoyelles Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by the Hospital.

Method of Accounting. The Hospital's financials are presented using the economic resources measurement focus and the accrual basis of accounting. Under Governmental Accounting Standards Board (GASB) Statement No. 20 (GASB Cod. Sec. P80), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Hospital has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the *Louisiana Governmental Audit Guide*, and to the AICPA, *Audit and Accounting Guide - Health Care Organizations*, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

Enterprise Fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Cash and Cash Equivalents. Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities over 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Assets Whose Use is Limited. Assets whose use is limited include assets set aside by the Board of Commissioners for future capital improvements and future indenture agreements, over which the Board retains control and may at its discretion subsequently use for other purposes; assets set aside in accordance with agreements with third-party payors; and assets held by trustees under indenture agreements and self-insurance trust agreements.

Inventory. Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Capital Assets. Capital assets are carried at cost, or if donated, at fair value at date of donation. Capital assets are defined by the Hospital as assets with an initial individual cost of more than \$5,000 and an initial useful life of three years or greater. Depreciation is computed using the straight-line method over the assets' estimated useful lives generally ranging from three to forty years. Equipment under capital lease is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Position. Net position represents the difference between assets and liabilities. Net position classifications are defined as follows:

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position invested in capital assets, net of related debt, is reduced by unspent debt proceeds.

Restricted Expendable Net Position consists of non-capital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures.

Unrestricted Net Position consists of remaining net assets that do not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

The Hospital first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net position are available.

Costs of Borrowing. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest earned on these borrowed funds, before the funds are spent on the construction of the capital assets, is also capitalized.

Investments. Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Codification Section 150 "Investments". Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheet. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in non-operating income.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

Net Patient Service Revenue and Related Receivables. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined.

The Hospital provides care to patients even though they may lack adequate insurance or may be covered under contractual arrangements that do not pay full charges. As a result, the Hospital is exposed to certain credit risks. The Hospital manages such risk by regularly reviewing its accounts and contracts, and by providing appropriate allowances. Patient receivables are carried at original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a timely basis. Management estimates the allowance for doubtful accounts by identifying troubled

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

accounts and by using historical experience applied to an aging of accounts. Patient receivables are written off when deemed uncollectible. Recoveries of patient receivables previously written off are recorded when received.

Compensated Absences. Employees of the Hospital are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences on the Hospital's Statement of Net Position was \$193,157 and \$189,597 for 2014 and 2013, respectively.

Ad Valorem Taxes. Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at January 1, the lien date.

Grants and Contributions. From time to time, the Hospital receives grants and contributions from individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all of the eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Operating Revenues and Expenses. The Hospital's Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues and expenses. Revenues are considered available in the period earned and expenses are considered payable in the period incurred. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including grants, and contributions received for purposes other than capital asset acquisitions, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services.

Income Taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising costs as incurred.

Environmental Matters. Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net position.

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participated in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 70% and 67% of its gross patient service revenue from patients covered by the Medicare and Medicaid programs for the years ended June 30, 2014 and 2013, respectively. The Hospital received Upper Payment Limit (UPL) payments in the amount of \$718,373 and \$776,466 for 2014 and 2013, respectively. UPL Funds are reported in grant revenue on the Statement of Revenues, Expenses and Changes in Net Position.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 3: ACCOUNTS RECEIVABLE - PATIENTS

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies the trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance and a provision for bad debts, if necessary. For receivables associated with Medicaid, Commercial and Self-pay patients, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience and on the age of the receivables balance. The aged balance indicates that third-party claims have reached an age where the probability of payment is low and the self-pay patients are unable or unlikely to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Patients Accounts Receivable consists of the following:

	<u>2014</u>	<u>2013</u>
Total Patients Accounts Receivable	\$ 3,318,971	\$ 3,312,684
Less: Allowances for Doubtful Accounts and Contractual Allowances	<u>2,371,022</u>	<u>2,063,975</u>
Net Patient Accounts Receivable	<u>\$ 947,949</u>	<u>\$ 1,248,709</u>

NOTE 4: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from established rates. Payment arrangements include prospectively determined rates-per-discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in a future period as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is paid for inpatient and outpatient services rendered to Medicare program beneficiaries under cost based reimbursement methodology. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The retrospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization, which is under contract with the Hospital to perform such reviews.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 4: NET PATIENT SERVICE REVENUE, CONTINUED

The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2009. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined.

Medicaid - Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2009. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as settlements are determined.

The Louisiana Legislature, through the Healthcare Reform Act of 2007 and Act 1 of 2010, tasked the Department of Health and Hospitals (the DHH) to create a new system of care. In response, the DHH reformed its reimbursement methodology for Medicaid patients from a fee-for-service system to the use of a Coordinated Care Network (CCN). During 2011, the DHH enabled certain third-party payor companies to contract with providers under the CCN methodology. The Hospital is currently contracted and enrolled with payors participating in the Coordinated Care Network.

The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates-per-discharge, discounts from established charges and prospectively determined daily rates.

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts, recognized in the period from these major sources, is as follows.

Net Patient Service Revenue by Payor before Provision for Doubtful Accounts:

	<u>2014</u>	<u>2013</u>
Medicare	\$ 4,682,729	\$ 3,940,367
Medicaid	2,044,299	2,069,377
All Other Payors	<u>4,704,813</u>	<u>5,003,607</u>
Total Net Patient Service Revenue Before		
Provision for Doubtful Accounts	<u>\$ 11,431,841</u>	<u>\$ 11,013,351</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 4: NET PATIENT SERVICE REVENUE, CONTINUED

The following schedule represents total Net Patient Service Revenue:

	<u>2014</u>	<u>2013</u>
Gross Patient Service Revenue	\$ 22,332,937	\$ 21,462,122
Less: Contractual Adjustments	<u>10,901,096</u>	<u>10,448,771</u>
Net Patient Service Revenue Before Provision for Doubtful Accounts	11,431,841	11,013,351
Less: Provision for Doubtful Accounts	<u>1,951,966</u>	<u>1,489,526</u>
Net Patient Service Revenue	<u>\$ 9,479,875</u>	<u>\$ 9,523,825</u>

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows:

	<u>06/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/14</u>
Land	\$ 121,857	\$ -	\$ -	\$ 121,857
Land Improvements	290,454	-	-	290,454
Buildings	5,412,891	41,319	-	5,454,210
Fixed Equipment	325,091	-	-	325,091
Major Movables	<u>2,659,919</u>	<u>54,837</u>	<u>-</u>	<u>2,714,756</u>
Total Cost	8,810,212	96,156	-	8,906,368
Less: Accumulated Depreciation	<u>(5,550,189)</u>	<u>(500,135)</u>	<u>-</u>	<u>(6,050,324)</u>
	3,260,023	(403,979)	-	2,856,044
Construction in Progress	<u>-</u>	<u>10,666</u>	<u>-</u>	<u>10,666</u>
Net Property, Plant and Equipment	<u>\$ 3,260,023</u>	<u>\$ (393,313)</u>	<u>\$ -</u>	<u>\$ 2,866,710</u>

Depreciation expense for the fiscal years ended June 30, 2014 and 2013, was \$500,135 and \$506,525, respectively.

The cost of the total assets under capital lease was \$585,493 for the years ended June 30, 2014 and 2013, with total related amortization expense of \$115,245 and \$114,472 for the year ended June 30, 2014 and 2013, respectively.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 6: LONG-TERM DEBT

Long-term debt at June 30, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Revenue refunding bonds, dated May 1, 2013 bearing interest of increasing from .5% to 3.25%, maturing March 1, 2024, with interest payable semi-annually, collateralized by the Hospital's gross receipts	\$ 626,000	\$ 680,000
Notes Payable, dated May 1, 2008, bearing interest of 6.00% maturing April 1, 2018, with interest and principal due monthly	83,441	102,489
Capital Lease Payable, dated October 20, 2011, bearing interest of 1.23%, maturing December 8, 2016, with interest and principal due monthly, collateralized by CT Scan equipment	163,219	231,749
Capital Lease Payable, dated October 7, 2010, bearing no interest, maturing December 1, 2015, with principal due monthly collateralized by ultrasound equipment	43,254	72,090
Capital Lease Payable, dated August 27, 2012, bearing interest of 12.88%, maturing September 30, 2014, with principal due monthly	3,090	15,451
Capital Lease Payable, dated December 1, 2010, bearing no interest, maturing December 1, 2015, with principal due monthly collateralized by hematology equipment	<u>21,639</u>	<u>36,065</u>
	940,643	1,137,844
Less: Current Portion	<u>190,954</u>	<u>197,148</u>
Long-Term Portion	<u>\$ 749,689</u>	<u>\$ 940,696</u>

The Hospital has a revolving line of credit agreement with a bank for \$100,000. There were no borrowings against the line at June 30, 2014 and 2013. The line bears a 5.25% interest rate.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 6: LONG-TERM DEBT (cont)

A summary of debt activity for the year ended is as follows:

	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Revenue Refunding Bonds - Series 2013	\$ 680,000	\$ -	\$ 54,000	\$ 626,000	\$ 55,000
Note Payable - Rural Health Building	102,489	-	19,048	83,441	20,224
Lease Payable - CT Scan	231,749	-	68,530	163,219	69,378
Lease Payable - Ultrasound	72,090	-	28,836	43,254	28,836
Lease Payable - Spectra VMAX PFT	15,451	-	12,361	3,090	3,090
Lease Payable - Baytree	36,065	-	14,426	21,639	14,426
Total	<u>\$1,137,844</u>	<u>\$ -</u>	<u>\$ 197,201</u>	<u>\$ 940,643</u>	<u>\$ 190,954</u>

Scheduled repayments on long-term debt are as follows:

	Principal	Interest	Total
2015	\$ 190,954	\$ 21,195	\$ 212,149
2016	170,339	17,970	188,309
2017	105,401	15,092	120,493
2018	78,949	12,614	91,563
2019	62,000	10,914	72,914
2020-2024	<u>333,000</u>	<u>30,257</u>	<u>363,257</u>
Total	<u>\$ 940,643</u>	<u>\$ 108,042</u>	<u>\$ 1,048,685</u>

NOTE 7: OPERATING LEASES

The Hospital entered into a noncancellable operating lease agreement for scope equipment during the year ended June 30, 2013. Future minimum rental payments under this lease are as follows:

	Amount
2015	\$ 48,780
2016	48,780
2017	<u>8,130</u>
Total	<u>\$ 105,690</u>

Total rental expense for June 30, 2014 and 2013, respectively, for all operating leases was \$113,441 and \$91,969.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 8: PENSION PLAN

Employees have available retirement coverage through an employee funded defined contribution plan, Bunkie General Hospital Service Defined Compensation Program, administered by Nationwide Retirement Solutions. Each pay period the Hospital contributes to an additional plan for full-time employees who work 64 or more hours per pay period. If an employee elects to participate, the employee will be required to contribute a minimum of 3% of their base pay toward the program. Employees will become 100% vested in the Hospital's contributions after three full years of employment. Pension cost amounted to \$75,073 and \$75,007 for the year ended June 30, 2014 and 2013, respectively.

NOTE 9: ASSETS LIMITED AS TO USE

On May 15, 2004, the Hospital accepted an offer from the United States Department of Agriculture Rural Development to make a loan in order to acquire, construct and/or install improvements and replacements to the hospital facilities of the District, including appurtenant equipment and accessories. On May 1, 2013, the Hospital issued Hospital Revenue Bonds, Series 2013 through which a current refunding of the 2004 Revenue Bonds was enacted. This refunding renewed cash restrictions required by the Series 2004 bonds as follows:

All income earned from operations of the Hospital is to be deposited in the hospital operating fund. Funds are to be expensed in the following order of priority and for the following purposes.

- (1) The payment of reasonable expenses of administration, operation and maintenance of the Hospital.
- (2) A cash transfer to the Hospital Sinking Fund by the 20th day of each month, sums equal to the total amount of principal and interest falling due on the next payment date for the Bonds.
- (3) A cash transfer to the Hospital Depreciation and Contingency Fund by the 20th day of each month, a sum at least equal to five percent of the amount to be paid into the Sinking Fund.

It is the contention of management that the accounting requirements of the revenue bonds issues were met.

Pursuant to a resolution by the Board of Directors of the Hospital on January 18, 1973, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets. On August 27, 2012, the board changed the Dialysis Building/Maintenance Fund from restricted funds to unrestricted funds in the amount of \$23,604.

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at June 30, 2013 and 2012 are set forth in the following table.

	<u>2014</u>	<u>2013</u>
Under Indenture Agreement	<u>\$ 169,427</u>	<u>\$ 84,128</u>
Total Assets Limited as to Use	<u>\$ 169,427</u>	<u>\$ 84,128</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 10: CASH FLOWS SUPPLEMENTAL INFORMATION

Cash and cash equivalents consist of the following:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 2,324,878	\$ 2,518,669
Assets whose use is limited		
By bond indenture	<u>169,427</u>	<u>84,128</u>
Total Cash and Cash Equivalents	<u>\$ 2,494,305</u>	<u>\$ 2,602,797</u>

Total interest paid by the Hospital was \$27,255 and \$26,624 for the fiscal year ending 2014 and 2013, respectively.

NOTE 11: EMPLOYEE HOSPITALIZATION PLAN

The Hospital maintains a medical benefits trust. Employees with more than 90 days of service can participate. The trust pays all claims from funds provided from the Hospital. The trust agreement provides that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall.

The Hospital purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$35,000 or aggregate annual claims in excess of \$1,000,000. The Hospital and employees contribute on a 50/50 basis amounts required to cover the insurance premiums.

NOTE 12: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents, and insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at June 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Medicare	32%	37%
Medicaid	14%	11%
Commercial and other third-party payors	14%	15%
All other	40%	37%
	<u>100%</u>	<u>100%</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 13: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. At June 30, 2014 and 2013, the Hospital had bank balances as follows:

	2014	2013
Insured (FDIC)	\$ 500,000	\$ 750,000
Collateralized by securities held by the financial institution's trust department in the Hospital's name	3,115,177	4,776,902
Total Collateral for Cash Balances	\$ 3,615,177	\$ 5,526,902
Carrying value	\$ 2,712,286	\$ 2,622,483

NOTE 14: RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health and accident benefits.

The Hospital participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund ("PCF"), the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has only included these allocations or equity amounts assigned to the Hospital by the trust fund in its financial statements.

NOTE 15: AD VALOREM TAXES

The Hospital levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the Hospital. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes.

NOTE 16: JOINT VENTURE

The Hospital entered into a cooperative endeavor (i.e. joint venture) with a home health company on March 1, 2004. The Hospital shares one-third of the profits and losses, and leases space to this organization. Thus far, the joint venture has experienced profits and distributed the hospital's proportional share to the hospital each year. For more information on joint venture financial statements, contact Hospital administration.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 17: NET POSITION

Net position for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Invested in capital assets, net of related debt	\$ 1,926,067	2,122,179
Restricted for:		
Bond Indenture (expendable)	169,427	84,128
Unrestricted	<u>2,893,205</u>	<u>3,331,786</u>
Total Net Position	<u>\$ 4,988,699</u>	<u>\$ 5,538,093</u>

NOTE 18: CHARITY CARE

The Hospital provides services without charge or at amounts less than its rates to patients who meet the criteria of its charity care policy. The criterion for charity care considers items such as family income, net worth, extent of financial obligations for healthcare services, etc. The Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported in revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Charges forgone, based on established rates, were approximately \$21,106 and \$16,670 for the years ended June 30, 2014 and 2013 respectively.

Management estimates that approximately \$10,975 and \$8,992 of costs were related to charity care for the years ended June 30, 2014 and 2013 respectively. This estimate is based on a ratio of total cost to gross patient charges applied to gross uncompensated charges associated with providing care to charity patients.

NOTE 19: BOND DEFEASANCE

On May 1, 2013, the Hospital issued \$680,000 in Revenue Bonds (Refunding Bonds, Series 2013) with interest rates ranging from .50 - 3.25% and annual debt service payments from \$66,466 to \$72,275. These bonds were issued through a current refunding of \$714,903 of outstanding 2004 Revenue Bonds bearing an interest rate of 4.5%. The net proceeds of \$680,000, after payment of \$9,488 in debt issuance costs plus an additional \$14,188 of sinking fund and \$37,577 of reserve fund monies were used to immediately refund the 2004 Revenue Bonds.

As a result, the 2004 Revenue Bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$9,415. This amount is reflected on the Statement of Net Position as Deferred Outflows of Resources and is being amortized over the remaining life of the refunded debt, which has the same life as the original note; the Deferred Charge on Refunding Debt is \$8,416 and \$9,272 for years ended June 30, 2014 and 2013, respectively. The current refunding resulted in the reduction of aggregate debt service payments over the next eleven years by \$121,244, and the Hospital obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$65,041. The effective interest rate on the new issue is 2.579%.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 20: GOVERNMENTAL REGULATIONS

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Hospital. Federal healthcare reform legislation proposals debated in Congress in recent years have included significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care, and steep discounting or capitated payment arrangements with many, if not all, of the Hospital's principal payors. It is not possible at this time to determine the impact on the Hospital of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Hospital in future years.

NOTE 21: SUBSEQUENT FINDINGS

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through November 7, 2014 the date the financial statements were available to be issued.

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

SCHEDULE OF PATIENT SERVICE REVENUE

FOR THE YEARS ENDED JUNE 30.

INPATIENT SERVICE REVENUES

2014

2013

Daily Patient Services:

Adult and Pediatric	\$ 212,843	\$ 291,791
Psychiatric Unit	1,184,288	1,655,069
Swing-Bed	13,135	14,464
Total	<u>1,410,266</u>	<u>1,961,324</u>

Other Nursing Services:

Emergency Service	<u>16,867</u>	<u>21,307</u>
Total	<u>16,867</u>	<u>21,307</u>

Other Professional Services:

Blood	7,545	8,689
EKG	10,065	14,025
Inhalation Therapy	205,685	221,011
Intravenous Therapy	952	820
Laboratory	391,640	498,272
Pharmacy	355,292	475,676
Physical Therapy	4,442	4,793
Professional Fees	165,300	230,183
Radiology	<u>201,039</u>	<u>304,711</u>
	<u>1,341,960</u>	<u>1,758,180</u>

TOTAL INPATIENT SERVICE REVENUE

2,769,093

3,740,811

HOSPITAL SERVICE DISTRICT NO. 1**Parish of Avoyelles****Bunkie, Louisiana****SCHEDULE OF PATIENT SERVICE REVENUE****FOR THE YEARS ENDED JUNE 30.****OUTPATIENT SERVICE REVENUES****2014****2013****Other Nursing Services:**

Emergency Service	\$ 2,997,394	\$ 3,368,585
Hospitalist	26,312	13,378
Observation	504,018	459,770
Total	<u>3,527,724</u>	<u>3,841,733</u>

Other Professional Services:

Blood	15,547	18,774
Cardiac Rehab	94,129	95,786
Clinic - Family Care Center	856,203	736,408
Clinic - Marksville	305,401	-
Clinic - Rural Health	945,844	846,840
EKG	24,690	30,655
Endoscopy	189,921	14,955
Inhalation Therapy	214,027	237,878
Intensive Psychiatric Therapy	3,464,743	2,547,730
Intravenous Therapy	2,887	2,432
Laboratory	4,003,904	3,813,744
Pharmacy	299,735	299,327
Professional Fees	135,354	182,239
Radiology	3,890,724	3,667,227
Sleep Lab	128,371	-
Wound Care	1,464,640	1,385,583
Total	<u>16,036,120</u>	<u>13,879,578</u>

TOTAL OUPATIENT SERVICE REVENUE19,563,84417,721,311**GROSS PATIENT SERVICE REVENUE**

22,332,937

21,462,122

Contractual Adjustments(10,901,096)(10,448,771)**Net Patient Service Revenue**\$ 11,431,841\$ 11,013,351

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avovelles

Bunkie, Louisiana

SCHEDULE OF OTHER OPERATING REVENUES

FOR THE YEARS ENDED JUNE 30.

	<u>2014</u>	<u>2013</u>
Cafeteria and Vendor sales	\$ 44,251	\$ 44,769
Ideal Protein	45,002	52,122
Joint Venture	78,875	36,457
Pharmacy Sales - Employees	36,190	63,606
Rental Income	130,075	120,250
Other	<u>65,124</u>	<u>58,331</u>
TOTAL OTHER OPERATING REVENUES	<u>\$ 399,517</u>	<u>\$ 375,535</u>

HOSPITAL SERVICE DISTRICT NO. 1
PARISH OF AVOYELLES
BUNKIE, LOUISIANA

SCHEDULE OF PROFESSIONAL SERVICES **FOR THE YEARS ENDED JUNE 30,**

	<u>2014</u>	<u>2013</u>
Salaries:		
Cardiac Rehab / Fitness	\$ 84,594	\$ 86,770
Central Supply	41,387	43,398
Clinic - Family Care Center	471,517	484,387
Clinic - Marksville	105,560	-
Clinic - Rural Health	607,344	739,185
Emergency Room	483,853	469,889
Inhalation Therapy	147,492	150,927
Laboratory	211,023	244,917
Nursing	541,617	510,061
PT/OT/ST	820	1,055
Radiology	233,530	284,106
Other	1,986	-
Total Salaries	<u>2,930,723</u>	<u>3,014,695</u>
Supplies and Other Expenses:		
Blood	23,198	25,674
Central Supply	8,744	5,548
Clinic - Family Care Center	49,889	49,730
Clinic - Marksville	77,586	-
Clinic - Rural Health	89,253	78,475
Emergency Room	853,767	818,943
Endoscopy	2,112	14,612
Geriatric Psychiatry	446,888	605,174
Hospitalist	100,000	101,600
Inhalation Therapy	18,001	23,343
IOP	282,475	337,873
Laboratory	364,534	372,115
Nursing	59,915	39,783
Partial Hospitalization Program	476,366	356,616
Pharmacy	563,437	565,673
PT/OT/ST	1,632	2,086
Radiology	58,530	96,106
Sleep Lab	53,393	-
Wound Care	567,393	483,802
Other	25,160	10,390
Total Supplies and Other Expenses	<u>4,122,273</u>	<u>3,987,543</u>
TOTAL PROFESSIONAL SERVICES	<u>\$ 7,052,996</u>	<u>\$ 7,002,238</u>

HOSPITAL SERVICE DISTRICT NO. 1

Parish of Avoyelles

Bunkie, Louisiana

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED JUNE 30.

	<u>2014</u>	<u>2013</u>
Salaries:		
Administrative	\$ 919,459	\$ 1,029,119
Dietary	88,042	110,210
Housekeeping	97,994	113,230
Maintenance	196,953	206,149
Medical Records	136,107	136,115
Total Salaries	<u>1,438,555</u>	<u>1,594,823</u>
 Supplies and Other Expenses:		
Administrative	726,588	703,076
Dietary	97,867	121,144
Housekeeping	47,735	52,388
Maintenance	666,873	524,757
Medical Records	8,356	11,193
Total Supplies and Other Expenses	<u>1,547,419</u>	<u>1,412,558</u>
 TOTAL GENERAL AND ADMINISTRATIVE SERVICES	<u>\$ 2,985,974</u>	<u>\$ 3,007,381</u>

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

GOVERNING BOARD COMPENSATION

JUNE 30.

	<u>2014</u>	<u>2013</u>
Judge James Mixon	\$ -	\$ -
Harry Normand	-	-
Barbara Jones	37	360
Brenda Sampson	-	-
Dr. Olivier La Prairie	-	-
Charles T. Descant	-	-
Derrick Earles	-	-
Gerard Moreau	-	-
Total	<u>\$ 37</u>	<u>\$ 360</u>

**LANGLINAIS
BROUSSARD &
KOHLENBERG**

A Corporation of Certified Public Accountants



Glen P. Langlinalis, C.P.A.
Chris A. Kohlenberg, C.P.A., M.B.A., M.H.A.
Gayla L. Falcon, C.P.A.
Ashley V. Breaux, C.P.A.

Michael P. Broussard, C.P.A.
Patrick M. Guldry, C.P.A.
Kathryn S. Hoag, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hospital Service District No. 1, Parish of Avoyelles, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury (the Hospital, as of and for the year ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated November 7, 2014.

INTERNAL CONTROL OVER FINANCIAL STATEMENTS

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified findings which are described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan". We consider all findings to be Significant Deficiencies and material weaknesses.

COMPLIANCE AND OTHER MATTERS

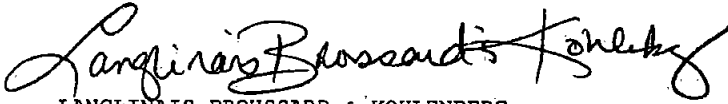
As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests identified findings of noncompliance that are required to be reported under *Government Auditing Standards*. These findings are listed as 2014-1 and 2014-2.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information and use of the Board of Commissioners and management of the Hospital, others within the organization, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,



LANGLIN AIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)
Abbeville, Louisiana

November 7, 2014

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2014

We have audited the financial statements of Hospital Service District No. 1 Parish of Avoyelles, State of Louisiana, d/b/a Bunkie General Hospital, a component unit of the Avoyelles Parish Police Jury, as of and for the years ended June 30, 2014 and 2013, and have issued our report thereon dated November 7, 2014.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audits of the financial statements as of June 30, 2014 and 2013 resulted in unmodified opinions.

Section I: Summary of Auditor's Reports

A - Report on Internal Control and Compliance Material to the Financial Statements

Compliance:

Compliance Material to Financial Statements No

Internal Control:

Material Weaknesses: Yes

Significant Deficiencies: Yes

Section II: Financial Statement Findings

A - Issues of Non-Compliance

None

B - Internal Control Weaknesses

Finding 2014-1 Financial Statement Preparation

Condition and Criteria: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the GAAP financial statements.

Effect: This represents a material weakness in the hospital's internal control system.

Recommendation: The hospital's accounting personnel should continue to attend education courses to further their knowledge in the application of Generally Accepted Accounting Principles. The hospital should also continue outsourcing the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2014

Management Response: The hospital at this time will continue to outsource to our independent auditors. The accounting staff will continue to attend education courses to further their knowledge of General Accounting Principles when appropriate. In addition, the hospital has increased its upper management oversight of the financial statement preparation to ensure accurate statements.

Finding 2014-2 Segregation of Duties

Condition and Criteria: The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Effect: Failure to adequately segregate accounting and financial functions increases the risk that errors and irregularities, including fraud, may occur and not be prevented.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions as well as custody of assets related to those transactions and decisions should be segregated functions.

Management Response: The hospital has segregated as many duties as possible and is limited due to its small size. To further segregate duties would require the hiring of additional staff which would be a financial burden to the hospital; however, upper management has increased its oversight to ensure proper internal control.

Finding 2014-3 Proposed Audit Adjustments

Condition and Criteria: The proposed audit adjustments for the fiscal year ended June 30, 2014 had material effects on the financial statements.

Effect: The Hospital's management has approved and posted all proposed audit entries.

Recommendation: The proposed journal entries should be reviewed by knowledgeable hospital personnel and approved before posting.

Management Response: Hospital personnel performing journal entries will continue to gain knowledge through acquiring continuing education courses annually. Management will ensure proper internal control system through monitoring according to Generally Accepted Accounting Principles.

Section III: Management Letter Items

There are no management letter items at June 30, 2014.

HOSPITAL SERVICE DISTRICT NO. 1
Parish of Avoyelles
Bunkie, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2014

Issues of Non-Compliance

Finding 2013-1 Outstanding Checks

The Hospital has outstanding checks that are several years old. This could be a violation of the Louisiana Unclaimed Property Statutes, which require businesses and others to review their records each year to determine whether they are in possession of any monies, fund, securities, or other intangible personal property that have been unclaimed for the required dormancy period, and to make an annual report of their findings.

Status: Resolved.

Finding 2013-2 Collection Policy

Policies and practices regarding collection efforts of accounts receivable for patient services are not being applied consistently. Collections for employee accounts and their spouses and family members are treated differently than that of non-employee patients. Amounts withheld from employee payroll should be mutually agreed upon between the employee and the patient accounts department consistent with hospital policy, Medicare and Medicaid guidelines, and applicable state and federal laws. Careful consideration should be taken so that employees do not feel that balances owed to the hospital for patient services are related to their job performance evaluations and/or their job security. Hospital policies and practices may be a violation of Medicare and Medicaid guidelines and applicable state and federal laws.

Status: Resolved.

Internal Control Weaknesses

Finding 2013-3 Financial Statement Preparation

The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the GAAP financial statements.

Status: Unresolved. See 2014-1.

Finding 2013-4 Segregation of Duties

The authorization, recording, and reconciling of transactions as well as the custody of assets related to those transactions are not adequately segregated.

Status: Unresolved. See 2014-2.

Finding 2013-4 Proposed Audit Adjustments

The proposed audit adjustments for the fiscal year ended June 30, 2012 had material effects on the financial statements.

Status: Unresolved. See 2014-3.